

MANAGEMENT COMMUNICATIONS
FOND DU LAC COUNTY, WISCONSIN
DECEMBER 31, 2014

FOND DU LAC COUNTY, WISCONSIN

December 31, 2014

TABLE OF CONTENTS

	<u>Page No.</u>
COMMUNICATION TO THE COUNTY BOARD	1 - 4
SUMMARY FINANCIAL INFORMATION	
1. County Governmental Fund Balances	5
2. General Fund Balance Analysis	6
3. Comparative Summary of Community Programs Special Revenue Fund	7
4. Comparative Summary of Social Services Special Revenue Fund	8
5. Summary of Highway Department Fund	9 - 10
6. Summary of Highway Machinery Operations Cost Pool	11
7. Summary of Harbor Haven Health & Rehabilitation Enterprise Fund	12 - 13
COMMENTS AND OBSERVATIONS	
1. GASB Statement No. 68, <i>Accounting and Financial Reporting for Pensions</i>	14
2. Update on Changes from New Guidance on Federal Funds	15
APPENDIX	
Management Representation Letter	

To the County Board
Fond du Lac County, Wisconsin

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Fond du Lac County, Wisconsin (the "County") for the year ended December 31, 2014. The County's financial statements, including our report thereon dated July 29, 2015 are presented in a separate audit report document. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities Under U.S. Generally Accepted Auditing Standards, OMB Circular A-133 and the State Single Audit Guidelines

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on major federal and state programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the *State Single Audit Guidelines*.

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants. Also in accordance with OMB Circular A-133 and the *State Single Audit Guidelines*, we examined, on a test basis, evidence about the County's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" and the *State Single Audit Guidelines* applicable to each of its major federal and state programs for the purpose of expressing an opinion on the County's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the County's compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our correspondence about planning matters.

Significant Audit Findings

Consideration of Internal Control

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of and for the year ended December 31, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control. Our report on internal control over financial reporting and on compliance and other matters is presented in the report on Federal and State Awards.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency to be a significant deficiency in internal control:

Finding 2014-001 Financial Reporting for Federal and State Financial Assistance

This finding is described in detail in the schedule of findings and questioned costs in the report on Federal and State Awards.

The County's written response to the significant deficiency identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the County are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2014. We noted no significant transactions entered into by the County during the year for which there is a lack of authoritative guidance or consensus. To the best of our knowledge, all significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. The most sensitive estimates included in the governmental activities financial statements were:

Management's estimate of the depreciable life of the capital assets is based upon analysis of the expected useful life of the capital assets. We evaluated the key factors and assumptions and the consistency in these factors and assumptions used to develop the depreciable life in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of accumulated sick leave is based upon analysis of the employees sick leave balance. We evaluated the key factors and assumptions and the consistency in these factors and assumptions used to develop the liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Management estimated an allowance for uncollectible accounts for accounts receivable outstanding for the Department of Community Programs. These estimates are based upon management's knowledge of, and past experience with the outstanding balances. We evaluated the key factors and assumptions used to develop this estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Management estimated an allowance for forgiveness of loans receivable for the agreement with Mercury Marine. This estimate is based upon management's interpretation of the terms of the loan agreement. We evaluated the key factors and assumptions used to develop this estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The financial statements reflect all accounting adjustments proposed during our audit. Copies of the audit adjustments are available from management.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 29, 2015. The management representation letter follows this communication.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the County's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to conducting the audit. These discussions occurred in the normal course of our professional relationship and, to the best of our knowledge, our responses were not a condition to our retention.

In addition, during our audit, we noted certain other matters that are presented for your consideration. We will review the status of these comments during our next audit engagement. Our comments and recommendations are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these matters in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized in the comments and observations section of this report.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing other information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on combining statements for the nonmajor governmental funds, internal service funds and agency funds and individual fund budget and actual schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the County Board, management, and others within the County, and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Handwritten signature in black ink, appearing to read "S. Schenk" followed by a stylized mark.

Certified Public Accountants
Sheboygan, Wisconsin
July 29, 2015

SUMMARY FINANCIAL INFORMATION

1. County Governmental Fund Balances

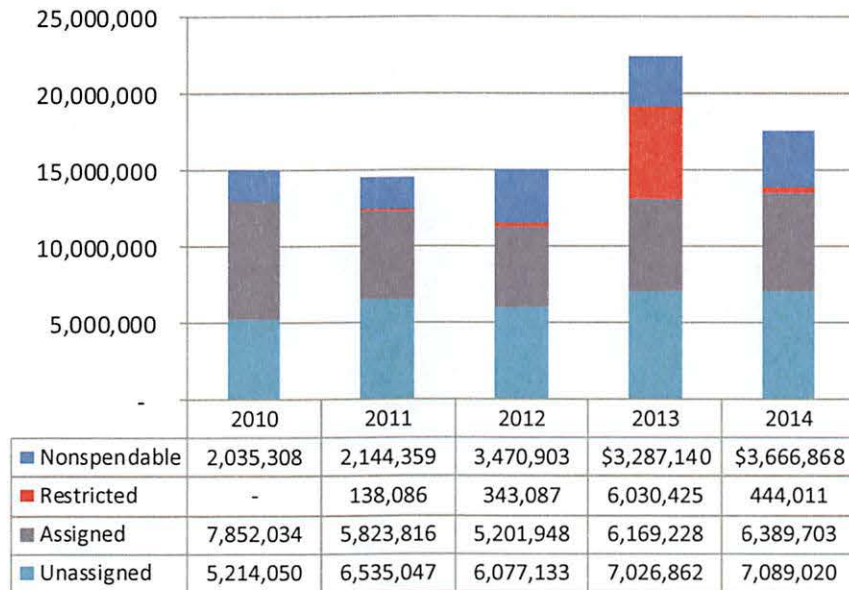
Presented below is a summary of the County's governmental fund balances on December 31, 2014, including a comparison to the prior year. This information is provided to assist management in assessing financial results for 2014 and to indicate financial resources available at the start of the 2014 budget year.

	12/31/14	12/31/13
General Fund		
Non-spendable	\$ 3,666,868	\$ 3,287,140
Restricted	444,011	6,030,425
Assigned	6,389,703	6,169,228
Unassigned	7,089,020	7,026,862
Total General Fund	<u>17,589,602</u>	<u>22,513,655</u>
Special Revenue Funds		
Department of social services	652,500	322,995
Department of community programs	193,500	209,799
Nutrition program	24,167	-
County roads and bridge	2,761,892	3,224,588
Total Special Revenue Funds	<u>3,632,059</u>	<u>3,757,382</u>
Permanent Fund		
Sheriff canine program	<u>63,072</u>	<u>63,548</u>
Debt Service Fund	<u>2,610,839</u>	<u>3,724,366</u>
Total Governmental Funds	<u>\$ 23,895,572</u>	<u>\$ 30,058,951</u>

2. General Fund Balance Analysis

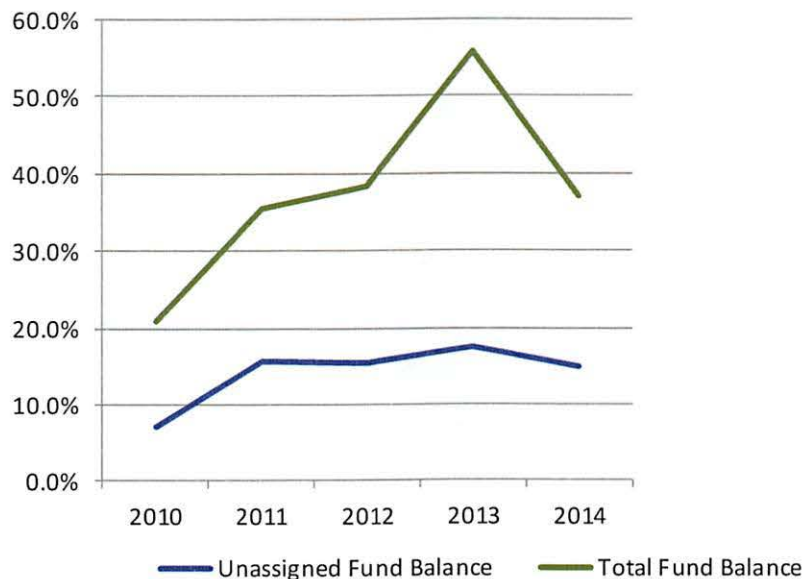
Presented below is a fund balance analysis for the General Fund for fiscal years 2010-2014. This information is presented to assist the County in assessing fund balance levels at the end of fiscal year 2014 and the trend over the past five years.

Components of Fund Balance – General Fund



Fund Balance as a Percentage of General fund Actual Expenditures

Fond du Lac County maintains unassigned fund balance in order to maintain sufficient cash reserves for working capital and emergency expenditures and to protect the County's bond rating. The following graph highlights the trends over the most recent five year period.



At December 31, 2014, the County's unassigned general fund balance of \$7,089,020 represents approximately 15.0% of the expenditures of the general fund.

3. Comparative Summary of Community Programs Special Revenue Fund

Presented below is a summary of the Community Programs Special Revenue Fund as of December 31, 2014 along with a comparison to the prior year.

	2014	2013
Revenues		
Taxes	\$ 4,563,312	\$ 4,583,499
Intergovernmental	3,411,660	3,461,551
Public charges for services	2,213,273	2,099,658
Intergovernmental charges for services	2,839,346	2,452,015
Interdepartmental charges for services	270,835	282,905
Miscellaneous	3,451	507
Prior year revenue	115,473	279,084
Total Revenues	<u>13,417,350</u>	<u>13,159,219</u>
Expenditures		
Current		
Health and human services	<u>11,886,153</u>	<u>11,986,631</u>
Excess of Revenues Over Expenditures	<u>1,531,197</u>	<u>1,172,588</u>
Transfers out	<u>(1,547,496)</u>	<u>(1,001,364)</u>
Net Change in Fund Balances	(16,299)	171,224
Fund Balances - Beginning of Year	<u>209,799</u>	<u>38,575</u>
Fund Balances - End of Year	<u>\$ 193,500</u>	<u>\$ 209,799</u>

The Department of Community Programs reported revenues in excess of expenditures of \$1,531,197 for 2014 compared to \$1,172,588 for the previous year. In addition, the Department transferred \$1,547,496 back to the general fund for 2014.

4. Comparative Summary of Social Services Special Revenue Fund

Presented below is a summary of the Community Programs Special Revenue Fund as of December 31, 2014 along with a comparison to the prior year.

	2014	2013
Revenues		
Taxes	\$ 7,766,203	\$ 7,583,940
Intergovernmental	14,441,842	13,344,544
Public charges for services	480,603	573,629
Intergovernmental charges for services	46,918	60,250
Interdepartmental charges for services	233,841	258,676
Miscellaneous	34,393	54,545
Prior year revenue	15,722	8,667
Total Revenues	<u>23,019,522</u>	<u>21,884,251</u>
Expenditures		
Current		
Health and human services	<u>21,551,262</u>	<u>20,570,087</u>
Excess of Revenues Over Expenditures	<u>1,468,260</u>	<u>1,314,164</u>
Other Financing Uses		
Transfers out	<u>(1,138,755)</u>	<u>(1,231,166)</u>
Net Change in Fund Balances	329,505	82,998
Fund Balances - Beginning of Year	<u>322,995</u>	<u>239,997</u>
Fund Balances - End of Year	<u>\$ 652,500</u>	<u>\$ 322,995</u>

The Department of Social Services reported revenues in excess of expenditures of \$1,486,260 for 2014 compared to \$1,314,164 for the previous year. In addition, the Department transferred \$1,138,755 back to the general fund for 2014.

5. Summary of Highway Department Fund

The County utilizes a proprietary fund to account for road and bridge construction and maintenance services provided to the County and other governments by the Highway Department. A summary of the Highway Department proprietary fund for 2014 and 2013 follows:

	2014	2013
Operating Revenues		
Charges for services	\$ 13,438,178	\$ 18,000,639
Other	-	4,140
Total Operating Revenues	<u>13,438,178</u>	<u>18,004,779</u>
Operating Expenses		
Operation and maintenance	12,027,492	16,713,816
Depreciation	819,825	800,607
Total Operating Expenses	<u>12,847,317</u>	<u>17,514,423</u>
Operating Income	<u>590,861</u>	<u>490,356</u>
Nonoperating Revenues (Expenses)		
State and federal grants	1,496	5,284
Miscellaneous revenue	9,651	4,864
Interest expense	(1,921)	(2,191)
Total Nonoperating Revenues	<u>9,226</u>	<u>7,957</u>
Net Income before Contributions, Transfers, and Special Item	600,087	498,313
Transfers in	2,601,921	2,191
Transfers out	(25,144)	(272,457)
Special item - other post employment benefit adjustment	-	191,215
Capital contribution	<u>-</u>	<u>280,767</u>
Change in Net Position	3,176,864	700,029
Net Position - January 1	<u>9,318,296</u>	<u>8,618,267</u>
Net Position - December 31	<u>\$ 12,495,160</u>	<u>\$ 9,318,296</u>

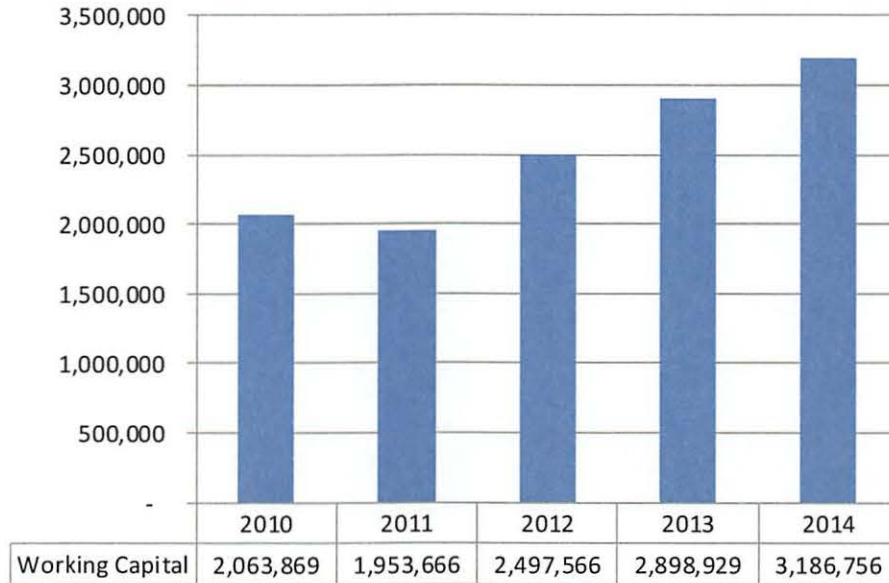
The Highway Department enterprise fund reported a net income before contributions, transfers and special item of \$600,087 for the year ended December 31, 2014, as compared to \$498,313 for the prior year.

Since the Highway Department is accounted for as an enterprise fund, the above net position of \$12,495,160 includes book value of highway equipment, as well as, other non-cash equity.

5. Summary of Highway Department Fund (Continued)

Working Capital – Highway

The following graph presents an overview of the Highway Fund's working capital for the most recent five year period. Working capital represents current assets less inventory less current liabilities.



The Highway Department held unrestricted cash and investments of \$1,797,400 on December 31, 2014, which was an increase of \$327,695 from the balance of \$1,469,705 which was held on December 31, 2013. The increase in cash and investments was primarily due to strong cash flows provided by operating activities as well as transfers in of \$2,601,921.

6. Summary of Highway Machinery Operations Cost Pool

Transportation cost pools are used to accumulate those costs of the highway department where the intent is to recover expenses of operations, including depreciation on highway buildings and equipment, directly from user charges for service. The cost pool accounting system is designed to match all revenues and expenses of a particular operation and aid management in determining the adequacy of rates being charged and the cost effectiveness of each operation. Presented below is a summary of the machinery operations cost pool of the highway department internal service fund for 2014 and 2013.

	2014	2013
Charges for services	\$ 2,830,223	\$ 2,973,960
Expenses		
Labor and fringe benefits	342,019	380,209
Fuel	580,493	667,488
Materials and supplies	363,117	369,771
Overhead	267,988	275,008
Sundry	77,667	79,688
Depreciation on equipment	701,304	690,127
Total Expenses	<u>2,332,588</u>	<u>2,462,291</u>
Operating Income	<u>\$ 497,635</u>	<u>\$ 511,669</u>

As shown above, the machinery operations cost pool incurred net operating income of \$497,635 in 2014 compared to net operating income of \$511,669 in 2013. There was a slight one percent reduction in labor hours for 2014, but overall the operating income remains at a strong level.

7. Summary of Harbor Haven Health & Rehabilitation Enterprise Fund

The County utilizes an enterprise fund to account for the operations of Harbor Haven Health & Rehabilitation, a nursing home for the elderly and needy of the County. A summary of the Harbor Haven Health & Rehabilitation enterprise fund for 2014 and 2013 follows:

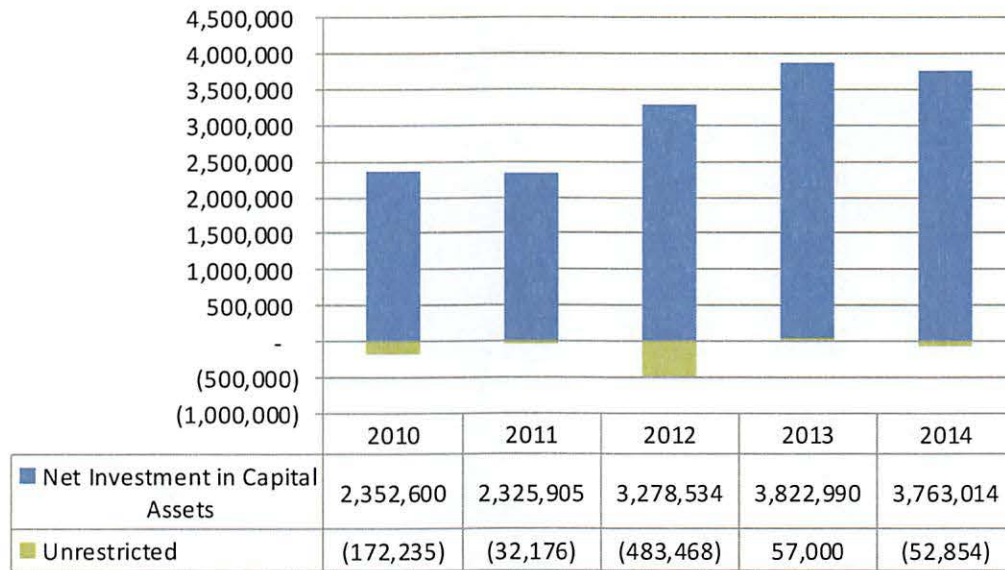
	2014	2013
Operating Revenues		
Public charges for services	\$ 7,729,902	\$ 7,302,359
Interdepartmental charges for services	707,186	762,125
Miscellaneous	3,533	5,579
Total Operating Revenues	<u>8,440,621</u>	<u>8,070,063</u>
Operating Expenses		
Operation and maintenance	9,975,164	9,470,195
Depreciation	299,527	292,277
Total Operating Expenses	<u>10,274,691</u>	<u>9,762,472</u>
Operating Loss	<u>(1,834,070)</u>	<u>(1,692,409)</u>
Nonoperating Revenues (Expenses)		
Property taxes	454,451	1,171,815
Intergovernmental operating grant	1,075,625	1,008,016
Miscellaneous revenue	-	334
Interest expense	(4,212)	(1,213)
Total Nonoperating Revenues (Expenses)	<u>1,525,864</u>	<u>2,178,952</u>
Income before Transfers and Special Item	<u>(308,206)</u>	<u>486,543</u>
Transfer in	138,376	234,010
Special item - other post employment benefit adjustment	-	364,371
	<u>138,376</u>	<u>598,381</u>
Change in Net Position	(169,830)	1,084,924
Net Position - January 1	<u>3,879,990</u>	<u>2,795,066</u>
Net Position - December 31	<u>\$ 3,710,160</u>	<u>\$ 3,879,990</u>

Harbor Haven Health & Rehabilitation reported an operating loss of \$1,834,070 in 2014 compared to an operating loss of \$1,692,409 for the prior year. Total census days decreased to 37,815 from 39,063, or 3% in 2014 from 2013. However, total revenue increased by 4.6% due in part to Medicare days, which are more profitable. Medicare days increased from 4,547 in 2013 to 5,479 in 2014, or a 20% increase.

7. Summary of Harbor Haven Health & Rehabilitation Enterprise Fund (Continued)

Harbor Haven Health & Rehabilitation Net Position

Following is analysis of the funds net position for the past five years. This information is presented to assist County management in assessing equity levels at the end of the fiscal year and the trend over the past five years.



COMMENTS AND OBSERVATIONS

1. **GASB Statement No. 68, *Accounting and Financial Reporting for Pensions***

In June, 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, revising and establishing new financial reporting requirements for governments that provide their employees with pension benefits. The new standard recognizes pension costs as employment services are provided, rather than when the pensions are funded. This change in the pension liability calculation could have a material impact on net position for many governments. Statement No. 68 is effective for fiscal years beginning after June 15, 2014.

Other significant changes from previous reporting requirements (GASB 27) include:

- Coordination of the actuarial valuation date and the measurement date;
- Stricter guidance on the selection and calculation of the discount rate;
- Required use of the entry age normal actuarial cost method;
- Some changes in pension liabilities will be reported as deferred outflows/inflows of resources;
- Required supplementary information, with ten years of trend information developed over time;
- Expanded note disclosures

This new standard is also applicable to the Wisconsin Retirement System ("WRS"). It is our understanding that the WRS is well aware of the impact of this new standard and is planning to provide participants with detailed supplementary information that will be needed to complete the footnote disclosures in County's audited financial statements.

This comment is for informational purposes.

COMMENTS AND OBSERVATIONS (Continued)

2. Update on Changes from New Guidance on Federal Awards

Our prior year management letter included information in regard to the new single audit requirements set forth in the U.S. Office of Management and Budget ("OMB") "Omni-Circular". Because the County receives federal assistance, the requirements of the circular are applicable to the County and are effective for the 2015 year. The Circular superseded eight existing Circulars and combined into one place the administrative requirements, cost principles, and audit requirements for all organizations that receive Federal Awards. The new Circular was designed to strengthen oversight of federal awards and increase the efficiency and effectiveness of single audits.

We included detailed information in our prior year letter summarizing the key changes in the administrative requirements, cost principles and audit requirements as set forth in the grant guidance. The prior year letter also suggested that the County review the requirements of the Circular and begin to modify its policies and procedures to comply with the guidance. Listed below are the areas of the Circular that, in our opinion, will most likely require changes to County policies and procedures:

Administrative requirements

- **Monitoring of Federal Awards Passed-through to Other Entities**
- **Policies on Procurement Using Federal Awards**
- **Establishment and Documentation of Internal Controls Over Federal Awards**

Cost principles

- **Guidelines for Reporting of Direct and Indirect Costs**
- **Alternatives to Time and Effort Reporting for Salaries and Wages**

Audit requirements

- **Preparation of the Schedule of Expenditures of Federal Awards**
- **Preparation of a Corrective Action Plan for any Audit Findings**

Since the Circular is effective for federal awards received in 2015, we recommend the County continue to develop an implementation plan to assure compliance with the grant guidance. County personnel have been provided with a sample outline to use to develop a Uniform Grant Guidance Implementation Plan. We would be happy to further assist the County with its implementation plan.

APPENDIX



Fond du Lac County

FINANCE DEPARTMENT
(920) 929-3124

City/County Government Center
160 South Macy Street, Fond du Lac, WI 54935

July 29, 2015

Schenck SC
2200 Riverside Drive
P.O. Box 23819
Green Bay, WI 54305-3819

This representation letter is provided in connection with your audit of the financial statements of Fond du Lac County, Wisconsin (the "County"), which comprise the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information as of December 31, 2014, and the respective changes in the financial position and where applicable, cash flows for the year then ended, and the related notes to the financial statements for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items in No. 49 are considered material based on the materiality criteria specified in OMB Circular A-133 and the *State Single Audit Guidelines* issued by the State of Wisconsin. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of July 29, 2015, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated December 1, 2014, including our responsibility for the preparation and fair presentation of the financial statements and for preparation of the supplementary information in accordance with the applicable criteria.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.

3. In regards to accounting estimates:

- The measurement processes used by management in determining accounting estimates is appropriate and consistent.
 - The assumptions appropriately reflect management's intent and ability to carry out specific courses of action.
 - The disclosures related to accounting estimates are complete and appropriate.
 - No subsequent event has occurred that would require adjustment to the accounting estimates or disclosures included in the financial statements.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
5. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
6. Significant assumptions we used in making accounting estimates are reasonable.
7. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
8. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs.
9. We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the County's accounts.
10. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
11. Guarantees, whether written or oral, under which the County is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

12. We have provided you with:

- a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
- b. Additional information that you have requested from us for the purpose of the audit.

- c. Unrestricted access to persons within the County from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the County Board or summaries of actions of recent meetings for which minutes have not yet been prepared.
13. All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedules of expenditures of federal awards and state financial assistance.
14. We made an assessment of the risk that the financial statements may be materially misstated as a result of fraud. We have disclosed the results of our assessment as follows:
- a. We have no knowledge of any fraud or suspected fraud that affects the County and involves:
 - i. Management,
 - ii. Employees who have significant roles in internal control, or
 - iii. Others where the fraud could have a material effect on the financial statements.
 - b. We have no knowledge of any allegations of fraud or suspected fraud affecting the County's financial statements communicated by employees, former employees, regulators, or others.
15. We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
16. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
17. We have disclosed to you the identity of the County's related parties and all the related party relationships and transactions of which we are aware.

Government - specific

18. We have made available to you all financial records and related data and all audit or relevant monitoring reports, if any, received from funding sources.
19. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
20. We have a process to track the status of audit findings and recommendations.
21. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
22. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
23. The County has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, deferred inflows/outflows of resources, or equity.

24. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts, or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
25. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
26. As part of your audit, you assisted with preparation of the schedule of expenditures of federal awards, and the schedule of state financial assistance. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have assumed all management responsibilities. We have reviewed, approved, and accepted responsibility for those financial statements and related notes, the schedule of expenditures of federal awards, and the schedule of state financial assistance.
27. The County has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral except as disclosed in the comprehensive annual financial report.
28. The County has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
29. We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
30. The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
31. The financial statements properly classify all funds and activities.
32. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
33. Components of net position (net investment in capital assets, restricted, and unrestricted) and components of fund balance (nonspendable, restricted, committed, assigned and unassigned) are properly classified and, if applicable, approved.
34. Provisions for uncollectible receivables have been properly identified and recorded.
35. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
36. Revenues are appropriately classified in the statement of activities within program revenues or general revenues.
37. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

38. Deposits and investment securities and derivative transactions are properly classified as to risk and are properly disclosed.
39. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
40. We have appropriately disclosed the County's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position were properly recognized under the policy.
41. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not materially changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
42. We acknowledge our responsibility for presenting the nonmajor fund combining statements, individual fund statements, and supporting schedules (the supplementary information) in accordance with accounting principles generally accepted in the United States of America, and we believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
43. The fact that the amount of "uncollateralized" deposits or "uninsured, unregistered securities held by the counterparty, or by its trust department or agent but not in the County's name" during the period significantly exceeded the amounts in those categories as of the balance sheet was properly disclosed in the financial statements.
44. Arrangements with financial institutions involving repurchase, reverse repurchase, or securities lending agreements, compensating balances, or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements, have been properly recorded or disclosed in the financial statements.
45. The methods and significant assumptions used to determine fair values of financial instruments are as follows: Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The methods and significant assumptions used result in a measure of fair value appropriate for financial statement measurement and disclosure purposes.
46. Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the balance sheet date and have been appropriately reduced to their estimated net realizable value.
47. Capital assets have been evaluated for impairment as a result of significant and unexpected decline in service utility.
48. We do not plan to make frequent amendments to our pension or other post-retirement benefit plans.

49. With respect to federal and state award programs:

- a. We are responsible for understanding and complying with and have complied with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration, including requirements relating to preparation of the schedule of federal awards and the schedule of state financial assistance.
- b. We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) in accordance with the requirements of OMB Circular A-133 §310.b and the schedule of state financial assistance (SSFA) in accordance with the requirements of the *State Single Audit Guidelines* and we believe the SEFA and SSFA, including their form and content, are fairly presented in accordance with the Circular and the Guidelines. The methods of measurement or presentation of the SEFA and SSFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the SEFA and SSFA.
- c. If the SEFA and SSFA are not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA and SSFA information no later than the date we issue the SEFA and SSFA and the auditors' report thereon.
- d. We have identified and disclosed to you all of our government programs and related activities subject to OMB Circular A-133 and the *State Single Audit Guidelines* and included in the SEFA and SSFA made during the audit period for all awards provided by federal and state agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
- e. We are responsible for understanding and complying with, and have complied with, the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal and state programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal and state program.
- f. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance requirements applicable to federal and state programs that provide reasonable assurance that we are managing our federal and state awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal and state programs. We believe the internal control system is adequate and is functioning as intended.
- g. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal and state agencies or pass-through entities relevant to federal and state programs and related activities.
- h. We have received no requests from a federal or state agency to audit one or more specific programs as a major program.
- i. We have complied with the direct and material compliance requirements, (except for noncompliance disclosed to you) including when applicable, those set forth in the *OMB Circular A-133 Compliance Supplement* and the *State Single Audit Guidelines*, relating to federal and state awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the requirements of federal and state awards.

- j. We have disclosed any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditors' report.
- k. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditors' report.
- l. Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB Circular A-87, *Cost Principles for State, Local, and Tribal Governments*, and OMB's *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*.
- m. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- n. We have made available to you all documentation related to compliance with the direct and material compliance requirements, including information related to federal and state program financial reports and claims for advances and reimbursements.
- o. We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- p. There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditors' report.
- q. No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies in internal control over compliance (including material weaknesses in internal control over compliance), have occurred subsequent to the date as of which compliance was audited.
- r. Federal and state program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- s. The copies of federal and state program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal and state agency or pass-through entity, as applicable.
- t. We have monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of OMB Circular A-133 and the *State Single Audit Guidelines*.
- u. We have taken appropriate action, including issuing management decisions, on a timely basis after receipt of subrecipients' auditors' reports that identified noncompliance with laws, regulations, or the provisions of contracts or grant agreements and have ensured that subrecipients have taken the appropriate and timely corrective action on findings.
- v. We have considered the results of subrecipient audits and have made any necessary adjustments to our books and records.

- w. We have charged costs to federal and state awards in accordance with applicable cost principles.
 - x. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by OMB Circular A-133 and the *State Single Audit Guidelines* and we have provided you with all information on the status of the follow-up on prior audit findings by federal and state awarding agencies and pass-through entities, including all management decisions.
 - y. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by OMB Circular A-133.
 - z. We are responsible for preparing and implementing a corrective action plan for each audit finding.
50. We have evaluated and classified any subsequent events as recognized or nonrecognized through the date of this letter. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs.

Signed: Allen Buechel
Allen Buechel, County Executive

Signed: Karen R. Kuehl
Karen Kuehl, Finance Director

Signed: Julie Hundertmark
Julie Hundertmark, County Treasurer

Signed: Tammy Pinno
Tammy Pinno, Assistant Finance
Director